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FM AMEMBASSY SAN JOSE  
TO RUEHC/SECSTATE WASHDC PRIORITY 1170  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHOT/AMEMBASSY OTTAWA 0611

UNCLAS SAN JOSE 000747

SENSITIVE  
SIPDIS

DEPT FOR WHA/EPSC MROONEY, FCORNIELLE, AWONG;  
EEB/ESC/IEC/EPC MMCAMANUS; AND EEB/IFD/OIA GHICKS

E.O. 12958: N/A

TAGS: [CS](#) [ECON](#) [ENRG](#) [KIDE](#) [PGOV](#) [PREL](#) [EINV](#)

SUBJECT: COSTA RICA: BALANCING SIEPAC PROGRESS AGAINST THE  
RULE OF LAW

1. SUMMARY. Costa Rica struggles to complete its portion of the Panama to Guatemala power grid interconnection project (SIEPAC). The negotiation and acquisition of land consumes most of the project's time -- much more so than actual construction -- such that only approximately 60 percent of the Costa Rican segment is complete. Experts estimate project completion between late 2010 and first quarter 2011. Post has become aware of acquisition challenges as an AmCit landowner's low-impact, eco-tourism plans for his property were jeopardized by the current route of the line. We continue to balance and support the need to complete the power grid tempered by the rule of law as it pertains to AmCit real estate investments. End Summary.

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WHEN CAN COSTA RICA COMPLETE THE SIEPAC LINE?  
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2. (U) On July 22, we met with Pedro Pablo Quiros, Chief Executive Officer of the state telecommunications and electricity entity (ICE). When asked about the status of the Costa Rican portion of the Electricity Interconnection System for Central America (SIEPAC) transmission line, Quiros made two points regarding project status:

-- The Costa Rican segment spans 425 kilometers (km) and all but 60 km are complete. (Note: Figures for the Costa Rican segment vary from as low as 425 km to as high as 493 km. End Note.)

-- However, construction as a function of distance is not the challenge; time as a function of expropriation is. Acquisition negotiations, studies, and permitting consume the time. Thus, though 80 percent of the transmission line has been constructed, Quiros estimated that only 60 percent of the project is complete. Quiros projected a completion date between late 2010 and first quarter 2011.

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IS ICE DIRECTLY INVOLVED?  
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3. (U) The Network Business Owner (EPR) is constructing the project in Costa Rica as in other Central American countries. Public and private capital finance this firm whose mission is to construct the SIEPAC interregional grid. However, ICE recently joined EPR to facilitate and hasten the land acquisition/easement rights part of the work. Quiros claimed, "We have much experience with that type of work."

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INVESTOR CHALLENGES  
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¶4. (SBU) As an example of acquisition challenges, AmCit landowner Kirk McDonald Park contacted Embassy San Jose in November 2008 about ICE encroachment on his property. Park plans to develop a low-impact, eco-tourism lodge on his property. ICE wants to run the SIEPAC line through Park's property. This route will avoid the village of La Alfombra (which is the most direct route) and is south of Park's property. Park proposed that ICE skirt his property further to the north. Park has lined up the support of virtually all environmental groups (such as The Nature Conservancy, Conservation International, Peace for Nature, etc.) and two key GOCR agencies, one similar to the USG's Environmental Protection Agency (SETENA) -) and the Ministry of Environment, Energy and Telecommunications (MINAET). Park has even gained verbal support from the GOCR's Ministry of the Presidency.

¶5. (SBU) From the Quiros meeting, we learned that ICE now believes that the Park property cannot be avoided. ICE, however, seemingly has flip-flopped on the "north alternate route," initially not supporting, then supporting, and now not supporting it. (Comment: ICE's changes in position seem to be related to turnover in its expropriation group. End Comment.) Park claims to have a construction estimate demonstrating that the marginal cost of the "north alternate" route is not considerable. Just last week, Park had a meeting scheduled with Quiros but Quiros cancelled the meeting.

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NOT JUST AMERICANS  
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¶6. (SBU) Canadian citizens are also affected by the SIEPAC line in the immediate area of Park's property. Canadian Ambassador Neil Reeder drafted a joint Canadian government-USG letter requesting that ICE avoid this eco-tourism sensitive area. The letter, signed by CDA Brennan, recognized the cooperation between local villagers and ex-pats in the La Alfombra area i seeking an alternative route with ICE.

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COMMENT  
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¶7. (SBU) Currently, we ar attempting to balance the contrasting positions of inter-regional energy needs with the rule of law as applicable to an AmCit investor. Though we are limited in what we can directly do with the GOCR on such a case (there is no expropriation without compensation), we nonetheless monitor the Park case since a respect for GOCR approvals and studies -- which support Park's claim of owning ecologically sensitive land -- is essential to creating a predictable regulatory and investment climate.

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